

Instructions for Michigan Business Tax Quarterly Estimates for Financial Institutions

The Michigan Business Tax (MBT) replaced the Single Business Tax (SBT) effective January 1, 2008. In lieu of other taxes imposed by the MBT, every financial institution with nexus in this state is subject to a franchise tax imposed on its net capital, after allocation or apportionment, at the rate of 0.235 percent. There is no filing threshold for financial institutions. In addition, every financial institution is subject to an annual surcharge equal to a percentage of their MBT liability after apportionment or allocation.

Taxpayers with a total annual MBT liability expected to exceed \$800 must make estimated payments. Taxpayers include a single person or entity or a unitary business group. A unitary business group is a group of United States persons, other than a foreign operating entity, one of which owns or controls, directly or indirectly, more than 50 percent of the ownership interests with voting or comparable rights of the other United States persons and that (a) has business activities resulting in a flow of value between or among persons in the group, or (b) has business activities that are integrated with, are dependent upon, or contribute to each other.

The sum of your estimated payments must equal at least 85 percent of your liability and the amount of each payment must reasonably approximate the total tax liability incurred during the period. If your tax year was less than 12 months (e.g., you opened or closed a business during the year) annualize the tax to see if you must file estimates.

MBT estimated payments are not required for taxpayers with a short year of less than four calendar months under the MBT. Payment of the annual tax liability remains due on the last day of the fourth month after the end of the year.

When to File MBT Quarterly Tax Returns

For a calendar year taxpayer, quarterly returns are due the 15th day of April, July, October and January. For fiscal year filers, quarterly returns are due the 15th day of the first month after each quarter.

For any tax year ending with a quarter of less than 3 months, the quarterly return is due on the 15th day of the month immediately following the final month of the estimate period. However, estimated payments are not required for a taxpayer with a short year of less than four calendar months.

How Much to Pay

Your quarterly estimated MBT payment must be computed on the actual tax base for the period, plus the annual surcharge imposed. No penalty or interest will be charged if payments are made on time and the sum of the estimated payments equals at least 85 percent of your total annual tax liability, and the amount of each payment reasonably approximates the tax liability incurred during the period. Estimates cannot be based on the prior year's SBT liability and cannot be based on 1 percent of gross receipts.

Estimating Tax Liability

In lieu of other taxes imposed by the MBT, every financial institution with nexus in this state is subject to a franchise tax imposed on its tax base, after allocation or apportionment, at the rate of 0.235 percent. In addition, an annual surcharge is imposed on each financial institution equal to a percentage of their MBT liability after allocation or apportionment to the State, but before the calculation of credits available under the Act, as follows:

- For tax years ending in 2008, 27.7 percent.
- For tax years ending after 2008, 23.4 percent.

A financial institution that is authorized to exercise only trust powers is not subject to this surcharge. A financial institution is defined as:

- A bank holding company, a national bank, a state chartered bank, an office of thrift supervision chartered bank or thrift institution, or a savings and loan holding company other than a diversified savings and loan holding company as defined in 12 USC 1467a(a)(F).
- Any person, other than an insurance company subject to the tax imposed under chapter 2A of the MBT, who is directly or indirectly owned by a financial institution described above and is a member of the unitary business group.
- A unitary business group made up of the entities described above.

The tax base of a financial institution is the financial institution's net capital, which is equity capital, as computed in accordance with generally accepted accounting principles, with certain deductions. These deductions include:

- Goodwill.
- Average daily book value of United States and Michigan obligations.
- Up to 125% of the minimum regulatory capitalization requirements of an authorized insurance company.

Note: If a financial institution does not maintain its books and records in accordance with generally accepted accounting principles, net capital may be computed in accordance with the books and records used by the financial institution, so long as the method fairly reflects the financial institution's net capital for purposes of this tax.

Net capital is determined by averaging the financial institution's net capital as of the close of the current tax year with the preceding four tax years. This calculation is modified if a financial institution has been in existence for less than five tax years. The statute also provides additional guidance for mergers and acquisitions.

The tax base of financial institutions whose business activities are subject to tax both within and outside this state are then apportioned by the gross business factor, utilizing rules set in statute. Gross business means the sum of the following:

- Fees, commissions, or other compensation for financial services.
- Net gains, not less than zero, from the sale of loans and other intangibles.
- Net gains, not less than zero, from trading in stocks, bonds, or other securities.
- Interest charged to customers for carrying debit balances of margin accounts.
- Interest and dividends received.
- Any other gross proceeds resulting from the operation as a financial institution.

For more comprehensive information, please refer to the Michigan Business Tax Act (MCL 208.1101 et seq.) or visit the MBT Web site at www.michigan.gov/MBT. The Web site contains information taxpayers may find helpful in determining their estimated tax liability.

Using Personalized Estimate Returns

Treasury sends registered estimate filers personalized returns. You can speed the posting of your account and improve the accuracy of your payment information by using your personalized returns or by requiring your tax practitioner to use them for you.

Do not duplicate the return or use a return that has someone else's name on it. Using a return other than the original that was sent to you may result in your payment being inaccurately processed.

Combined Sales, Use, Withholding and Michigan Business Tax Payments

You may make MBT monthly estimated payments with your sales, use and withholding (SUW) taxes return. If you choose this convenient option, you only need to file one form and write one check for all the taxes you pay. If filing monthly using Form 160, *Combined Return for Michigan Taxes*, monthly payments may be filed on the 20th day of the month. For example, a calendar year taxpayer may file monthly MBT estimates using Form 160 on February 20, March 20, and April 20 rather than a single quarterly payment on April 15 provided the combined estimates for those months are calculated using the instructions provided. However, for taxpayers required to make remittances by electronic funds transfer and not using Form 160, MBT estimates remain due on the 15th day of the month following the final month of the quarter. The estimated MBT for the quarter must also reasonably approximate the liability for the quarter.

Reporting Payments

Regardless of which form you use to file estimated MBT payments, report all MBT estimate payments on your annual MBT return.

Penalty and Interest

Penalty is 5 percent of tax due, for the first two months. Penalty increases by an additional 5 percent per month, or fraction thereof, after the second month, to a maximum of 25 percent. The interest rate is adjusted by Treasury January 1 and July 1 of each year, to 1 percent above the prime rate. For a complete list of interest rates, see Revenue Administrative Bulletin (RAB) 2007-4 on Treasury's Web site at **www.michigan.gov/taxes**.

Extensions

For calendar year taxpayers, extensions for filing the annual return may be granted upon written application. Fiscal year taxpayers will be granted an automatic extension for their 2008 fiscal year annual return. Returns for fiscal years ending in 2008 will be due the same date as 2008 calendar year returns, which is April 30, 2009.

A fiscal year taxpayer may request an additional extension on Form 4, *Application for Extension of Time to File Michigan Tax Returns*, if the extension to April 30, 2009 is not sufficient, e.g., a taxpayer with a fiscal year ending November 2008, with a federal extension granted through September 2009.

An extension of time to file is not an extension of time to pay. Payments, including appropriate estimated payments, must still be timely made. Payments other than estimates may be made using Form 4, *Application for Extension of Time to File Michigan Tax Returns*.

Filing Quarterly Tax Returns

Make your check payable to "State of Michigan" and mail to:

Michigan Department of Treasury
Department 77889
Detroit, MI 48277-0889